

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-10 OF CHAIRMAN'S INFORMATION REQUEST NO. 12

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 12, issued on January 30, 2017. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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February 6, 2017

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

1. Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-FY16-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

2. Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-FY16-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

3. Please refer to the response to Chairman's Information Request No. 3, questions 17 and 18.<sup>1</sup> In light of the revisions to the ICRA provided in revised Library Reference USPS-FY16-NP2,<sup>2</sup> please provide estimated revenue at Universal Postal Union (UPU) rates that demonstrates that each Multi-Service Agreement with cost coverage under 100 percent improves the Postal Service's net financial position.

**RESPONSE:**

Based on information in Excel sheet CHIR.12.Q.3.Bilaterals.xlsx, being filed under seal as part of USPS-FY16-NP37, which is based on the revised FY16-NP2 filed on February 3, 2017, the bilateral agreement with Royal PostNL BV (Post NL 2014 Agreement) filed in Docket No. R2015-3, as well as the bilateral agreement with Canada Post (Canada Post 2014 Agreement) filed in Docket No. R2014-3, and the bilateral agreement with Australia (Australia Post 2014 Agreement) filed in Docket No. R2014-2, all improved the Postal Service's net financial position.

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<sup>1</sup> Responses of the United States Postal Service to Questions 1-2, 4-9, 11-13, 15-19, 23, 28, and 31-33 of Chairman's Information Request No. 3, January 13, 2017, questions 17 and 18.

<sup>2</sup> Library Reference USPS-FY16-NP2, January 19, 2017.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

4. If any of the above-referenced Multi-Service Agreements [cited in Question 3 of this Information Request] do not improve the net financial position of the Postal Service over UPU rates, please discuss what steps the Postal Service is taking to improve cost coverage.

**RESPONSE:**

Not applicable, for the reason set forth in response to Question 3 of this Information Request.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

5. Please see Attachment, filed under seal.

**RESPONSE:**

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TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

6. Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-FY16-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

7. Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-FY16-NP37.



**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

8. Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-FY16-NP37.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

- 9.** Please see Attachment, filed under seal.

**RESPONSE:**

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**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

- 10.** Please refer to the Postal Service's discussion of Collect on Delivery (COD) cost coverage on page 62 of the FY 2016 ACR. The Postal Service states that the cost of COD in FY 2016 "increased from \$3.0 million to \$4.9 million, despite a substantial decline in reported transactions." Additionally, please refer to the Public Cost Segments and Components Reports contained in Library References USPS-FY15-2 and USPS-FY16-2 in Docket No. ACR2015 and Docket No. ACR2016, respectively.<sup>3</sup>
- a. Please confirm that the Cost Segment 3 (Clerks and Mailhandlers) cost for COD increased from \$434 thousand<sup>4</sup> in FY 2015 to \$1.864 million<sup>5</sup> in FY 2016. If not confirmed, please explain.
  - b. Please confirm that the majority of the increase was incurred in two Cost Segment categories, Mail Processing (increased from \$270 thousand in FY 2015 to \$771 thousand in FY 2016) and Window Service (increased from \$134 thousand in FY 2015 to \$1.034 million in FY 2016).<sup>6</sup> If not confirmed, please explain.
  - c. Please explain why both Mail Processing and Window Service costs increased despite a decline in reported transactions.
  - d. For the COD product, please provide the total number of IOCS tallies, the coefficient of variation for the IOCS-based cost estimate, and the 95-percent confidence interval for the cost coverage for both FY 2015 and FY 2016.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. The increases in cost are due to statistical variation related to the small sample size for COD.

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<sup>3</sup> Docket No. ACR2015, Library Reference USPS-FY15-2, December 29, 2015; Docket No. ACR2016, Library Reference USPS-FY16-2, December 29, 2016.

<sup>4</sup> Docket No. ACR2015, Library Reference USPS-FY15-2, Excel file "FY15.Public Cost Segs and Comps.xls," tab "CSSummary," cell E42.

<sup>5</sup> Library Reference USPS-FY16-2, Excel file "FY16Public Cost Segs and Comps.xls," tab "CSSummary," cell E42.

<sup>6</sup> Compare Docket No. ACR2015, Library Reference USPS-FY15-2, Excel file "FY15.Public Cost Segs and Comps.xls," tab "CS03," cells C42 and D42 with Docket No. ACR2016, Library Reference USPS-FY16-2, Excel file "FY16Public Cost Segs and Comps.xls," tab "CS03," cells C42 and D42.

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TO CHAIRMAN'S INFORMATION REQUEST NO. 12**

d. The table below summarizes COD data for FY15 and FY16. The IOCS CVs for mail processing and window have been combined together<sup>7</sup> and applied only to the sum of piggybacked mail processing and window costs. The remaining costs are assumed to have zero variability for purposes of computing the 95 percent confidence intervals. If the variability of those costs were incorporated, the confidence intervals would be wider. Even so, the confidence intervals for the total costs over the two years overlap, indicating that the change in the costs themselves is not statistically significant. However the current confidence intervals for the cost coverages do not overlap. This may indicate that there is a statistically significant change, although that depends on the variability of the other costs.

Summary of COD Costs and Cost Coverage

	FY15	FY16
# of IOCS tallies	2	8
CV (combined MP + Window CVs )	81%	30%
MP+Window - 95% Lower Bound	\$0	\$1,146
MP+Window - 95% Upper Bound	\$1,487	\$2,778
Total Costs - 95% Lower Bound	\$2,221	\$3,317
Total Costs - 95% Upper Bound	\$3,708	\$4,948
Total Revenue	\$3,116	\$2,029
CostCoverage - 95% Lower Bound	84%	41%
CostCoverage - 95% Upper Bound	140%	61%

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<sup>7</sup> CVs are combined by using a weighted average of the variances and assuming that mail processing and window costs are independent.